



20 June 2023

BusinessEurope's message to the European Council on 29-30 June 2023

Competitiveness is the road leading to a stronger EU position in the world and to economic and social progress

Ahead of the European Council meeting on 29-30 June 2023, BusinessEurope urges the European Union to use all the tools at its disposal to strengthen Europe's position in the world, and ensure coherence between EU policies in order to improve the business climate and attract more investments in Europe. Strengthening our economy is the basis to reinforce our position in the world and act as a stability anchor in a context marked by geopolitical tensions.

1. External relations, trade and economic security

In view of the latest developments in the aggression war by Russia against Ukraine, BusinessEurope reiterates its support to Ukraine, its people and their European ambitions. Now is the time to turn ambitions into actions and help Ukraine fulfil all the key requirements of EU membership.

To help overcome the consequences this brutal war has inflicted on our economy, diversification of both export and import markets is essential. In addition to being a crucial part of Europe's attractiveness as a place to invest, pursuing a positive trade agenda is a key tool to reduce over-dependence on single suppliers for critical raw materials. Concluding, ratifying and fully implementing mutually beneficial trade agreements and raw material partnerships is more important than ever.

The EU-CELAC summit in July 2023 should give new impetus to the conclusion and ratification of agreements with Chile, Mexico, and Mercosur in order to strengthen mutually beneficial links. This summit must also be an opportunity to build stronger partnerships and investment ties through the EU Global Gateway in key areas like critical raw materials, clean technologies and digital connectivity.

The EU must strengthen trade relations with like-minded countries and work with the US to reduce the costs of doing business across the Atlantic by addressing non-tariff barriers, finding permanent solutions for long standing trade conflicts such as on steel and aluminium, and by making the Trade and Technology Council deliver on trade.

China remains a necessary partner in certain areas. Given the challenging state of EU-China relations, asymmetries in market access and increasing politicisation of China's economy, the solution lies in de-risking. The EU needs to keep engaging with China in areas such as climate change and standardisation while building more resilient supply chains and mitigating risks.

For BusinessEurope, the EU Economic Security Strategy should map out where there are effective risks, where we need to strengthen our economic security and how to better use our trade and tech security tools, facilitate production in Europe rather than creating undue barriers to international trade and investment flows, acknowledge that de-risking takes time and ensure that the diversification process safeguards our competitiveness and protects our economic interests.

In particular, the European Council should ensure that:



- Critical raw materials: the provisions of the Critical Raw Materials Act (CRMA) are simplifying and accelerating permit procedures, keep information and disclosure requirements for companies to the minimum necessary, fully protect trade and business secrets and that industry is closely involved in the implementation of the CRMA;
- Export controls: the impact on European competitiveness is carefully assessed before introducing additional restrictions on exports of goods and technologies, European and international coordination on these controls is stepped up to avoid market fragmentation and improve legal certainty for companies;
- Inward investment: an assessment of the existing screening mechanisms on inward investment at EU and national levels is carried out before deciding on possible stricter conditions, as several member states still lack a screening mechanism;
- Outward investment: limitations on outbound investment can only be a last resort measure, used when serious security concerns are effectively proven and/or as part of a sanctions or anti-coercion legal framework and they should be targeted and adopted after careful assessment.
- Private sector involvement: the private sector is properly consulted and that its views are taken into account as this ensures that the measures adopted are effective, minimize the negative impact on European competitiveness and facilitate compliance

2. Coherent efforts to strengthen our economy

BusinessEurope's latest economic outlook forecasts 0.7% GDP growth in the EU in 2023 and 1.6% in 2024, if downside risks do not materialise. The situation remains challenging for many companies. Rising interest rates are making access to finance more expensive. After a weakening in balance sheets during COVID, most companies have only seen a small rise in margins. Bankruptcy declarations reached the highest level in the last eight years. A few sectors saw profits rising in 2022 but, like the European Central Bank, we expect any rises in profits to be only transitory.

Given the highly uncertain environment, which is particularly damaging for SMEs, living up to the commitments made to answer companies request to address the overall regulatory burden in Europe, reduce reporting requirements and speed up permitting procedures is particularly important. In addition to pursuing an ambitious international trade policy, the four following ingredients are key to deliver the long-term competitiveness strategy sketched out during the Spring European Council meeting: 1. giving regulatory breathing space to all European companies, 2. putting in place a fully-fledged programme to deepen the Single Market integration, 3. securing energy supply at competitive prices, 4. addressing the skills gap, facilitating innovation, and supporting reforms to unleash Europe's productivity.

In particular, the European Council should:

- Net-Zero Industry Act (NZIA): broaden the scope of the NZIA as part of a value-chain approach since all industrial sectors need to be part of the net-zero transformation;
- Competitiveness checks: ensure that competitiveness checks are done on all EU regulatory initiatives - taking into account the cumulative impact of EU legislation on companies - as well as on EU strategies and Commission work programmes;



- Reporting requirements: make sure that the recent pledge to reduce the reporting burden for companies by 25% is followed by swift action, both in proposals that are currently being negotiated and in future legislative initiatives;
- Single Market: call for the removal of regulatory barriers to cross-border business operations such as unnecessary national permitting, licencing and authorisation schemes for service provision, and for the rapid adoption of an e-declaration and revised rules on the coordination of social security systems for posted workers,
- Digitalization: promote a risk-based approach to AI regulation and a lean and harmonized cybersecurity framework for digital products and services, avoiding unnecessary and redundant reporting obligations in the proposed Cyber Resilience Act.
- Electricity market design: put in place a future-proof electricity market with clear long-term signals for investments that help reaching the ambitious European climate targets and, at the same time, guarantee security of supply at affordable prices;
- Skills: ensure that the European Year of Skills leads to concrete responses to labour shortages, such as urgently needed digital skills, and skills mismatches, with measures to activate the unemployed as well as inactive persons and working with the social partners to address mismatches between skills acquired via education and training systems and companies' needs;
- Innovation: ensure an improvement of the framework for innovation in the European Union by promoting the innovation principle, the use of regulatory sandboxes, facilitating access to funding not only in the R&D phase but also for the deployment of new technologies;
- Recovery and Resilience Facility (RRF): encourage strict controls to ensure that Member States invest funds from the RRF as intended and with further improvements in the cooperation with the social partners to fully realise the potential benefits of the recovery plans;
- EU fiscal rules: pave the way to finding agreement on a credible, respected, investment and growth-friendly economic governance framework ahead of Member States setting their 2024 budgets, helping to construct medium-term adjustment pathways to return to the reference values of 3% of GDP for government deficits and 60% for debt, and ensuring that greater flexibility goes hand-in-hand with credible enforcement (linked to the possible withdrawal of EU funding) in order to ensure public finances sustainability across the EU.

We count on the European Council to pave the way to a sound economic security strategy, based on market-driven diversification, ambitious trade and investment agreements as well as critical raw material partnerships and coherent EU policies to attract investment and facilitate production in Europe.